

SENATE BILL 2088  
By Henry

AN ACT to amend Tennessee Code Annotated, Title 4, Title 8, and Title 9 relative to state government and audit committees.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 4 is amended by adding Sections 2 through 8 of this act as a new chapter.

SECTION 2. (a) All state governing boards, regulatory boards, councils, or commissions created under and by virtue of the statutes of the state of Tennessee which handle public funds and are not administratively attached to a department listed in § 4-3-101 shall create an audit committee.

(b) All other state governing boards, regulatory boards, councils or commissions that are administratively attached to a department listed in § 4-3-101 are encouraged to create an audit committee.

SECTION 3. (a) An audit committee created pursuant to this part shall develop a written charter addressing the audit committee's purpose, powers, duties, and mission.

(b) The comptroller of the treasury shall establish guidelines for creation of an audit committee charter and shall review the proposed charter to determine whether the charter contains the minimum necessary requirements.

(c) The charter, and any subsequent amendments shall be presented to the full governing board, regulatory board, council, or commission, and comptroller of the treasury for their approval.

SECTION 4. (a) The audit committee shall be a standing committee of the governing board, regulatory board, council, or commission.

(b) An audit committee created pursuant to this part shall have at a minimum three (3) members chosen as prescribed in the audit committee charter.

- (c) (1) The audit committee shall meet at least quarterly and may meet on call of the chair or when a meeting is requested by a majority of the members.
- (2) The audit committee shall meet upon the request of the comptroller of the treasury.
- (3) The audit committee shall meet annually with the commissioner, or administrative head of the agency to which the governing board, regulatory board, council, or commission is attached and the comptroller of the treasury to report all audit issues related to this part.

SECTION 5. An audit committee created pursuant to this part has the power and duty to:

- (1) Facilitate audits or investigations by the comptroller of the treasury into any matter within the scope of the board or commission's responsibilities;
- (2) Seek information it requires from employees or external parties;
- (3) Meet with agency management, board or commission members, external and internal auditors, legal counsel, or others as necessary;
- (4) Inform the comptroller of the treasury the results of assessment and controls to reduce the risk of fraud; and
- (5) Promptly notify the comptroller of the treasury of any indications of fraud.

SECTION 6. It is the function of an audit committee created pursuant to this part to

- (1) Formally reiterate, on a regular basis, to the governing board, regulatory board, council, or commission, management of the agency to which the board or commission is attached, and staff, their responsibility for preventing, detecting, and reporting fraud, waste, and abuse.
- (2) Serve as a facilitator of any audits or investigations of the agency to which the governing board, regulatory board, council, or commission is attached, including

advising auditors and investigators of any information it may receive pertinent to audit or investigative matters.

SECTION 7. (a) An audit committee created pursuant to this part shall establish a process by which employees, taxpayers or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity. The detailed information received pursuant to such a report of illegal, improper, wasteful or fraudulent activity or any investigation thereof, except those matters disclosed in final public reports, shall be considered audit working papers and shall be confidential under the provisions of Tennessee Code Annotated, Title 10, Chapter 7.

(b) The provisions of § 8-50-116, shall apply to all state board and commission employees. In addition, no state board or commission employees shall suffer any of the prohibited retaliatory actions specified in § 8-50-116 for reporting or cooperating with the audit committee, internal auditors, or auditors from the comptroller of the treasury, or for reporting any facts to the governmental entity to which the board or commission is attached. Any person who knowingly and willingly retaliates or takes adverse action of any kind against any person for reporting alleged wrongdoing pursuant to the provisions of this part commits a Class A misdemeanor.

SECTION 8. (a) Except as noted below, all meetings of an audit committee created pursuant to this part shall abide by the notice requirements adhered to by the board or commission to which it is attached.

(b) All meetings of an audit committee created pursuant to this part shall be open and public, except that the audit committee may hold confidential, non-public executive sessions to discuss:

- (1) Items deemed not subject to public inspection under §§ 10-7-503 & 504 and all other matters designated as confidential or privileged under Tennessee Code Annotated;

- (2) Litigation;
- (3) Audits or investigations;
- (4) Information protected by federal law; and
- (5) Matters involving information under Section 6(a) where the informant has requested anonymity.

(c) No other business shall be considered during an executive session by the audit committee.

(d) For purposes of providing notice of an executive session, the agenda must disclose the general nature of discussion as described under(b)(1)-(5).

(e) The language of this part is not intended to prevent the full board, commission, or council from going into confidential, non-public executive session for the purpose of further discussing those matters as described under (b)(1)-(5).

SECTION 9. This act shall take effect upon becoming a law, the public welfare requiring it.